

CALIFORNIA'S EDGE:

KEEPING
CALIFORNIA
COMPETITIVE,
CREATING
OPPORTUNITY

Summer 2006

Prepared by
California's EDGE Campaign

California's EDGE Campaign

California's EDGE* Campaign is a non-partisan coalition of groups with diverse and even divergent outlooks but united in the belief that:

- California's future economic growth rests in large measure on the skill base of its workers.
- The state and its industrial leadership are now at serious risk of losing the competitive advantage of a highly trained workforce and lag other states in responding to this challenge.
- The Governor and Legislature must lead a strategic effort to forge the state's impressive education and training infrastructure into an integrated system of talent development that addresses the needs of all California workers and employers.
- In the absence of this kind of leadership, California's future is uncertain. Both employers and workers face the threat of economic decline.

Lead sponsors include:

- California Budget Project
- California Workforce Association
- Community College League of California
- Workforce and Economic Development Program, CA Labor Federation, AFL-CIO
- State Building and Construction Trades Council of California
- Los Angeles Area Chamber of Commerce
- The Workforce Alliance

*To endorse the campaign or to view a full list of endorsers, go to:
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*Education, Diversity, and Growth in the Economy

California's EDGE: Keeping California Competitive, Creating Opportunity

Executive Summary

Today California stands at a historic crossroads. Over the next two decades, the highly skilled baby boom generation will be retiring, and many projections indicate that California's replacement workers will have lower levels of educational attainment if current trends persist. Already many California industries face critical skills shortages and some recent studies warn that soon more of the state's employers may be unable to find workers with the skills they need to remain competitive.

At the same time, there is mounting evidence that California's workforce is unprepared for the jobs of the future: many young people are not graduating from high school; too few high school graduates are going on to college; and working adults have limited opportunities for lifelong education and career advancement.

California cannot effectively address its workforce challenges in a piecemeal fashion. The governor and legislature must implement a broad, coherent, and well-integrated workforce investment strategy that addresses the skill needs of employers and provides opportunities for all California residents. Other states are leading the way. To build a broadly shared, talent-based prosperity, California must:

1. Invest in regional workforce and economic development strategies to build prosperous communities and competitive industries. Expand funding and incentives for regional workforce planning and industry-based partnerships; link workforce and economic development initiatives; leverage private and public resources.

2. Provide all Californians access to high quality post-secondary education and skills training. Increase the share of students who successfully complete a certificate or degree; create multiple avenues of opportunity (four-year degree programs, two-year academic and vocational degree programs, industry-provided training, union and other apprenticeships). Keep fees affordable and maintain a strong, needs-based financial aid system. Ensure that all Californians understand the opportunities available to them.

3. Provide working adults with opportunities to move up the skill ladder. Support educational institutions to design courses and services that accommodate the needs of working adults and those supporting families. Create a system that allows workers to build skills over time, by accessing a variety of institutions and programs. Ensure that the system provides opportunities for Californians at many levels of skill and experience. Extend financial aid to working and returning students. Expand training opportunities for employed workers.

4. Link workforce programs and institutions to create pathways to high wage jobs. Forge disjointed education and job training programs into a coherent system of skill development that is responsive to the long-term needs of the California economy.

5. Align program goals and measures to achieve a shared vision of California's future and to ensure accountability. Set overarching goals and measure progress toward achieving them.

The Challenge Facing California

California can only compete successfully in an increasingly global economy based on the strength of its people. California's competitive advantages are and must continue to be a skilled workforce, modern infrastructure, high quality public services, a dynamic mix of peoples and cultures, and effective collaboration among labor, business, government, and the community. California's leadership in each of these areas has been the foundation of our economic success and a broadly shared prosperity.

Many of the nation's fastest growing and most profitable companies call California home. Our state's industrial innovation and productivity has consistently delivered per capita family incomes above that of the nation as a whole. A highly trained and productive workforce has been the primary competitive advantage for many California companies.

The state now stands at a historic crossroads. Over the next two decades, demographic shifts already underway will change California's population, particularly that of its prime working-age population. The highly skilled baby boom generation will be retiring, and many projections indicate that California's replacement workforce will have lower levels of educational attainment if current trends continue.

While the world has changed, our institutions have lagged behind. Increasingly global markets and international competition, rapid technological advancement, and an aging workforce confront this state with a critical challenge. If we do not meet it, California may lose its competitive edge and the consequences will be borne by all the state's residents, in the form of fewer jobs, lower wages, and declining state revenues.

California cannot build a prosperous future on the basis of a low-wage, low-cost workforce. Already, income disparities are growing; too many of California's residents are living in poverty; and even more work for wages too low to provide a quality standard of living.¹ To support state-of-the-art industry, continued innovation, and a world-class standard of living for all its residents, California must make investment in its people the centerpiece of its economic development strategy for the 21st century.

The Challenge to California's Businesses

Already many California industries face critical skills shortages, including:

■ Construction

- Construction employers were responsible for 27 percent of all new jobs in California the two years between 2003 and 2005², and the Association of General Contractors reports that the state needs 250,000 new construction craft workers to keep pace with steady demand and an aging workforce.³
- With far more skilled workers retiring than being trained, the lack of skilled crafts workers means jobs are going unfilled and projects are delayed, with opportunities lost for high wage employment and industry growth.⁴
- Employers and civic leaders are excited over the prospect of much needed new infrastructure investment in California, but are gravely concerned there is not a skilled workforce available to meet demand.
- In response to the current shortage of skilled construction workers, employers are "in-sourcing" skilled workers from other states and "outsourcing" assembly projects to Mexico.

1 California Budget Project, *Working Hard, Falling Short: Investing in California's Working Families* (January 2005). Also, according to the California Budget Project (CBP), "The gap between the state's highest- and lowest-wage earners has widened and is substantially wider than that for the nation as a whole." (California Budget Project, *A Growing Divide: The State of Working California*: September 2005). Finally, the CBP reports, "One out of every ten California workers earned within a dollar of the state's minimum wage in 2004." (California Budget Project, *California's Minimum Wage*: March 2006).

2 California Employment Development Department, *A Labor Day Briefing for California* (September 2005), down loaded from <http://www.calmis.ca.gov/SpecialReports/Labor-Day-Briefing-2005.pdf>

3 Association of General Contractors of California, downloaded from <http://www.agc-ca.org/publications/careers.html>.

4 Association of General Contractors of California, downloaded from <http://www.agc-ca.org/publications/careers.html>.

■ Health Care

- The California Employment Development Department has forecast that the state will need 109,600 more Registered Nurses by 2010.⁵
- A report by the California Board of Registered Nursing suggests that California graduates nearly 6,000 nursing students every year but is losing almost that same number to retirements.⁶
- The health care industry faces shortages in a wide range of occupations beyond nursing, including laboratory technicians and respiratory and physical therapists.⁷

■ Advanced Manufacturing

- In a 2006 survey of members of the California Manufacturing and Technology Association, respondents reported that the single most important business challenge they were facing in California was “sustaining and/or acquiring a skilled workforce,” more so than workers’ compensation costs, energy costs, or taxes.⁸
- The California Regional Economies Project reports that “a major workforce challenge for the manufacturing value chain is how to retrain current production workers for other opportunities . . . serving customers in more specialized and increasingly direct ways.”⁹

■ Professional and Management Services

- As reported by the California Regional Economies Project, California’s current economic strength is concentrated in the Professional and Management Services sector, which is projected for growth, but these jobs require increasingly higher levels of skills, which are not being met by labor supply.¹⁰

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In addition, California’s numerous technology clusters, strong venture-capital foundation, and higher education institutions provide the state with an edge in emerging markets, such as bio-, nano-, information, and renewable energy technologies. However, each of these new industries will require workers with new skills.

Finally, agriculture is one of California’s largest industries, yet despite its importance to the rural economy and to the state economy as a whole, there has been little investment in developing the sector’s aging workforce, which is characterized by low levels of basic education and high levels of poverty.¹¹

5 California Hospital Association, *California Hospitals Challenge Nurses Union to Begin Addressing Nursing Shortage* (January 18, 2005), downloaded from <http://www.calhealth.org/public/press/article/124/media%20statement%2011405.pdf>.

6 California Hospital Association, *California Hospitals Challenge Nurses Union to Begin Addressing Nursing Shortage* (January 18, 2005), downloaded from <http://www.calhealth.org/public/press/article/124/media%20statement%2011405.pdf>.

7 The Press Enterprise, *Too Few Answer Hire Calling* (April 22, 2006), downloaded from http://www.pe.com/localnews/inland/stories/PE_News_Local_B_hosptechs22.22cd2461.html.

8 California Workforce Investment Board, downloaded from http://www.calwia.org/doc_files/CMTA%20Survey%20Report%20JEB.pdf.

9 Collaborative Economics, *Manufacturing in Transformation: Economic Change and Employment Opportunities in the Design, Production, and Logistics Value Chain* (California Regional Economies Project: September 2004), downloaded from <http://www.labor.ca.gov/panel/escprepcrmit.pdf>.

10 Center for the Continuing Study of the California Economy, *Conditions of Competitiveness of California’s Economy* (California Regional Economies Project: 2004), downloaded from <http://www.labor.ca.gov/panel/escprepmmonocond.pdf>.

11 California Workforce Investment Board and U.S. Department of Labor, Region 6, *Farmworker Forums: Everybody Needs a Choice* (May 2003).

The Challenge Posed by Major Demographic Shifts

The major demographic shifts occurring in the next two decades also pose critical workforce challenges:

- A recently issued CSU-Sacramento report¹² informs us that:
 - California will need to replace 1.4 million workers with higher education who will be retiring or otherwise leaving their occupations. The need to replace these workers is almost equal to the need created by the *growth* of expanding industries.
 - California employers will require greater levels of education and skill. While currently 26 percent of jobs require an Associate degree, Bachelor's degree or higher, an estimated 34 percent of employment growth through 2022 will have such a requirement.
- The Campaign for College Opportunity estimates that approximately 1.8 million students will be turned away from California's public colleges and universities between 2004 and 2013 due to lack of space.¹³

The Challenge Facing California's Workers

The urgent lesson from these examples is that our workforce system and business leadership must recommit to maintaining California's competitive edge. The path to success is not to compete by driving down the cost of labor, but rather by increasing public and private sector investment in people and productivity, skills and innovation.

Unfortunately, there is mounting evidence that California's workforce is unprepared for the jobs of the future:

- An unacceptable number of young people are not graduating from high school. In 2000, only 70 of every 100 ninth graders graduated within four years, and 29 percent of Californians age 18 to 24 lacked a high school diploma.¹⁴
- Too few high school graduates are going on to college. California lags the nation in the share of high school graduates who go immediately to college and, of those who do enter college, the share who remain in college after one year.¹⁵
- High school graduates often also lack the math, science, and English proficiency to enter vocational training for high paying jobs in sectors such as advanced manufacturing, biotechnology, building trades, environmental services, and health sciences.
- Today, many of those in the emerging workforce come from communities with relatively low levels of academic attainment. By 2020, approximately half of California's prime age workforce will be Latino and black.¹⁶ Despite high school reform attempts, California is not making sufficient progress in closing the opportunity gap in these communities.
- Californians already in the workforce must continually upgrade their skills for the sake of job retention and career advancement, yet too few have access to lifelong education and incumbent worker training programs.

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“The solution is not to compete by driving down the cost of labor, but rather by increasing public and private sector investment in people and productivity, skills and innovation.”

12 Dr. Robert Fountain, Marcia Cosgrove, and Petra Abraham Laptalo, *Keeping California's Edge: The Growing Demand for Highly Educated Workers* (College of Continuing Education, Sacramento State University, Sacramento Applied Research Center: April 26, 2006).

13 See <http://www.collegecampaign.org>.

14 California Budget Project, *Working Hard, Falling Short: Investing in California's Working Families* (January 2005), p. 21.

15 California Budget Project, *Working Hard, Falling Short: Investing in California's Working Families* (January 2005), p. 21.

16 California Budget Project, *Working Hard, Falling Short: Investing in California's Working Families* (January 2005), p. 20.

California's 21st Century EDGE

There is some reason for optimism that California is well positioned to meet these challenges. California has pioneering technologies, an enviable education and training infrastructure, and major academic research centers. Unlike some competitor states and nations, California has attracted a young and diverse workforce. But as observed by the California Economic Strategies Panel, "California lacks an economic and workforce investment strategy that focuses on regional strengths and opportunities, and connects state and local efforts for maximum impact."¹⁷

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California must develop that strategy and commit to a high skill, high wage, "high road" economy.¹⁸ This means greater math and science literacy; education and training leading to jobs that pay self-sufficiency wages and offer career advancement; and incentives and rewards for industries that combine investments in worker training with world-class innovation.

Closing the gap between the supply and demand for skilled workers will not address all of California's labor market challenges. Far too many jobs will pay too little to support a family,¹⁹ and the state will need other

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kinds of economic and social policies to ensure that our prosperity is shared equitably among all those who create it. But without a highly skilled workforce, California stands no chance of maintaining its competitive edge.

The decisions made by the Governor and Legislature in the next few years will largely determine whether the state remains an economic powerhouse. A prosperous California will be a highly skilled California.

17 Center for the Continuing Study of the California Economy, *Conditions of Competitiveness of California's Economy* (California Regional Economies Project: 2004), downloaded from <http://www.labor.ca.gov/panel/espcrepmonocond.pdf>.

18 A "high road" economy is one that competes on the basis of productivity and quality, rather than cost.

19 More than one-third of the jobs California added between 2003 and 2005 were in low-paying industries. California Budget Project, *California's Job Growth Was Strong, but Wage Gains Were Weak Between 2003 and 2005* (Policy Points: June 2006).

California's EDGE: A Policy Agenda

California cannot effectively address its workforce challenges in a piecemeal fashion. The Governor and Legislature must implement a broad, coherent, and well-integrated workforce investment strategy that addresses the skill needs of employers and provides opportunities for all California residents.

Other states are leading the way. Some far-sighted states have made real strides toward the creation of such an integrated system. To compete in the global economy and build a broadly shared prosperity, California must:

I. Invest in Regional Workforce and Economic Development Strategies to Build Prosperous Communities and Competitive Industries

Problem:

California is not one economy but a set of economic regions. The economic assets and liabilities, and therefore the economic and workforce development needs, of these communities vary widely across the state. Nationally, there is growing recognition of the importance of aligning economic and workforce development strategies and resources with the needs of regional economies. California has taken limited but important steps in this direction.

Many of California's Workforce Investment Boards and community colleges have developed programs around the needs of key industry sectors and have begun building durable public-private partnerships. Unions, employer associations, community-based organizations, and others have also launched innovative workforce programs based on an understanding of the competitive challenges facing their regions and localities. To support this work, California has made some investments at the state level. Now California needs to build on these efforts and bring them to scale, as some other states are doing.

Solution:

Strengthen California's regional economies by committing to an agenda of regional growth and development based on public-private partnerships and workforce talent.

Invest in the capacity of organizations to do regional and local planning and collaboration. Leverage both public and private funding.

Policy Recommendations:

1. Expand funding and incentives for regional workforce planning and regional industry-based partnerships.
2. Invest in the capacity of local/regional institutions (including Workforce Investment Boards, employer organizations, unions, community-based organizations) to connect employers, unions, individuals, and educational institutions.
3. Link workforce and economic development initiatives.
4. Leverage all available resources, including employer contributions, philanthropic investment, and federal and state discretionary funds.

II. Provide All Californians Access to High Quality Postsecondary Education and Skills Training

Problem:

Today and in the future, Californians with a high school diploma or less will be less able to enter high wage jobs than in the past; nor can these workers power a globally competitive economy. Yet California has failed to provide all residents access to high quality postsecondary education and skills training. Available programs do not meet the needs of many students—particularly those seeking alternatives to the four-year degree. Young people are often faced with the anachronistic "college prep" versus "vocational education" dichotomy. In addition, many Californians are unaware of their options because counseling and career guidance are generally unavailable. Low-income students face financial barriers to access and success.

Solution:

Provide all Californians access to high quality postsecondary education or training; increase the share of students who successfully complete a certificate or degree; create multiple avenues of opportunity: four-year degree

programs, two-year academic and vocational degree programs, industry-provided training, union and other apprenticeships, and so on. Ensure that information about educational opportunities is widely disseminated. Keep fees affordable and maintain a strong, needs-based financial aid system.

Policy Recommendations:

1. Maintain broad access to two-year and four-year colleges and universities. Implement policies that improve access and success for low-income and underrepresented students, such as needs-based financial aid and supportive services.
2. Recognize the multiple roles community colleges play in workforce education and training, and ensure they have the base funding to play these roles effectively. At the same time, keep community college fees affordable.
3. Invest in career technical education at both high school and postsecondary levels that is responsive to the needs of the California economy and leads to high wage jobs.
4. Expand access to other pathways to high wage jobs, such as union and other apprenticeships.
5. Develop strategies for students who do not pass, or who are in danger of not passing, the high school exit exam, including contextualized and thematic education in small learning communities that prepare youth for both postsecondary education and careers.
6. Ensure that all Californians understand the opportunities available to them by increasing the number of career counselors in high schools, adult schools, and colleges, maintaining effective college outreach programs, and supporting career counseling in One Stop Career Centers and community-based organizations.

III. Provide Working Adults with Opportunities to Move Up the Skill Ladder

Problem:

Virtually all Californians will require continued education and skills training to enter or stay in well-paid jobs and to meet the skill needs of the state's employers. In fact, adults are entering college and other education and training institutions in record numbers. Nationally, more than 40 percent of students in colleges and universities are over the age of 25. In addition, companies, unions, and the public sector are increasingly investing in workplace-based education and training programs.

Yet California lacks a coherent policy framework to encourage continuing education, and existing programs and policies erect barriers to access and success for working adults. College programs often fail to address the needs of adult learners and financial aid programs include provisions that restrict the access of working and returning students. Programs for dislocated workers and workers with serious barriers to success in the labor market are seriously under-funded; public funding for the training of employed workers is restricted and can be difficult to access.

Solution:

Provide Californians lifelong access to skills training and educational opportunities. Support educational institutions (colleges, adult schools, Regional Occupational Centers and Programs, and others) to design courses and services that accommodate the needs of working adults and those supporting families. Create a system that allows workers to build skills over time, by accessing a variety of institutions and programs. Ensure that the system provides opportunities for Californians at many levels of skill and experience. Extend financial aid to working and returning students. Expand training opportunities for employed workers.

Policy Recommendations:

1. Provide support for community colleges and adult schools to develop programming that meets the needs of working adults, including contextual, accelerated, and off-hours programs.
2. Improve access to financial aid for adult students, workers, and those supporting families.
3. Expand support services, such as on-site childcare and quality counseling services that allow individuals to successfully complete certificate and degree programs.
4. Expand training options for working and unemployed workers, through One Stop Career Centers, community colleges, adult schools, community-based organizations, union apprenticeships, ROCPs, labor-management partnerships, employer-sponsored training programs.
5. Maximize the flexibility in federal programs such as Temporary Assistance for Needy Families and the Workforce Investment Act to encourage education and training. Maximize the flexibility of state funding, such as the Employment Training Panel funds.

IV. Link Workforce Programs and Institutions to Create Pathways to High Wage Jobs

Problem:

For many Californians, there are virtually no visible paths to high wage jobs. California's education and training system does not ensure that individuals can progress efficiently over time from lower to high levels of skill, toward a career with a future. Instead, the state has a welter of programs that are often poorly connected, have conflicting requirements and standards, and may or may not reflect the real needs of the labor market. Students waste time and money, and many become discouraged. English language learners and students who need remediation in math or English are particularly at risk; many never achieve a credential or degree.

Solution:

Provide all Californians pathways to high wage jobs by forging disjointed education and job training programs into a coherent system of skill development that is responsive to the long-term needs of the California economy. Link related programs within and across institutions so that learning from one is transferable to another, improving students' chances of successfully completing their training and reducing the time it takes to do so. Integrate English language training and other basic skills programs more effectively into the academic and vocational skills training system. Maximize the effectiveness of the workforce development system as a whole by building on the strengths of each of its key institutions and programs.

Policy Recommendations:

1. Provide clear career pathways to and through postsecondary education and training and into the world of work, by offering continuums of courses that provide the skills needed for high wage, high growth careers.
2. Improve the formal connections among programs and courses within postsecondary educational and training institutions, and especially across institutions.
3. Effectively link basic skills programs (including English-as-a-Second-Language) and career preparation programs.
4. Link the adult education system (in adult schools, community colleges, community-based organizations) more effectively to college degree and credential programs.
5. Better align career technical education at the high school and postsecondary levels, based on standards such as those developed by the Career Technical Education Curriculum Framework.²⁰

²⁰ See <http://www.sonoma.edu/cihs/cte/>

V. Align Program Goals and Measures to Achieve a Shared Vision of California's Future and to Ensure Accountability

Problem:

California needs to invest its workforce dollars in programs that support the twin goals of a competitive economy and a broadly shared prosperity. Today, the state has a patchwork of performance management systems and no way to judge how well institutions and programs are performing against broad common goals. Some current performance measures are inconsistent with the needs of California's residents and employers; other measures create disincentives for program operators to collaborate and align services.

Solution:

Articulate a clear vision for California's future and set measurable goals for achieving that vision. Invest in a management and information infrastructure that will allow public workforce programs to track progress toward these goals. Provide incentives for program operators to deliver high quality services and to link programs to better serve customers.

Policy Recommendations:

1. Develop clear, overarching state goals and an integrated data system that can track performance-based results across institutions, over time, and into the labor market.
2. Establish performance targets that are appropriate to the missions of each program and institution and use data to improve outcomes.
3. Issue regular, public reports to improve accountability.

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